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A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN FEBRUARY

The economy continued along its downward path in February. A slight pickup in retail sales was reported, but production showed no improvement. Department store sales rose 5 points to 147 percent of the 1947-49 average, and the daily average rate of deliveries of domestically produced automobiles by dealers advanced 2 percent to 15,011 units. The seasonally adjusted index of industrial production held steady at 102 percent of the 1957 average. Unemployment rose to 5.7 million, the increase of 320,000 amounting to three times the normal rise over January. As a consequence, the seasonally adjusted rate of unemployment advanced to 6.8 percent. Despite these developments, the stock market continued to rise.

Construction Continues Down

The $3.6 billion of new construction put in place in February was down 1 percent from January on a seasonally adjusted basis and the same percentage below February, 1960. All of the decline was attributable to private construction. Compared with February, 1960, private construction was down 6 percent and public construction was up 13 percent.

Nonfarm residential building accounted for all of the decline in private construction in excess of the normal seasonal curtailment, having fallen 8 percent from January to $1.3 billion. Most other types of private construction showed less-than-seasonal declines and were above February, 1960. Nearly all types of public construction were up from the year-earlier month.

Capital Expenditures Decreased

Business firms have reduced their earlier estimates of investments in new plant and equipment for the first quarter of this year to an annual rate of $34.4 billion. This is $500 million below the estimated first quarter annual rate published three months ago and $1.1 billion below the actual rate for the preceding quarter. Estimates for the second quarter of 1961 indicate a further decline of $600 million in the annual rate.

However, firms presently expect an upturn in their capital expenditures during the second half of 1961. In this they repeat the pattern of 1960, when early predictions of a continued advance were disappointed by the recession. Their plans now call for total outlays on plant and equipment of almost $34.6 billion for the year as a whole. Although this would be 3 percent below 1960, it implies a second-half rate of $35.0 billion if the estimates for the first two quarters are accurate.

Among the major industry groups, public utilities report the largest percentage increase in planned 1961 investment over actual 1960 outlays, with a projected rise of 10 percent to $6.2 billion. Railroads plan the biggest cutback, a drop of 42 percent to $600 million, the lowest level for the industry in fifteen years. Manufacturers as a whole expect 1961 outlays to be down 3 percent to $14.1 billion.

Further Drops in Sales and Inventories

Sales by manufacturing and trade firms in January totaled $58.5 billion after seasonal adjustment. This was $900 million below December, 1961, and the lowest in nearly two years. A decline of $500 million in shipments by manufacturers accounted for most of the shrinkage, but retailers' sales, down $300 million, showed the same percentage fall. Sales by wholesalers were off $100 million. Both durable and nondurable goods were affected. New orders received by manufacturers were down $300 million to $28.4 billion.

Retailers reduced their inventories of durables $300 million, most of the cut being made by auto dealers. Manufacturers curtailed their stocks $100 million as an increase in finished nondurable goods was more than offset by a decrease in finished durable goods.

Consumer Debt Contracts

A seasonally adjusted decline of $148 million in outstanding automobile paper dominated changes in consumer debt during January. It largely accounted for the first month-to-month drop in instalment debt in more than two years and reflected the low rate of auto sales in January. When combined with seasonally adjusted increases in other consumer goods paper and in personal loans and a small decrease in repair and modernization loans outstanding, the net result was a reduction of $103 million in instalment debt to $42.8 billion.

Noninstalment debt expanded $5 million, as a large increase in single-payment loans and a smaller one in service credit more than offset a seasonally adjusted decline of $111 million in charge accounts. As a result, total consumer debt was reduced $98 million. At the end of January, consumers owed on short- and intermediate-term accounts a total of $55.0 billion, $3.6 billion more than they did a year earlier.

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Social Security Expansion

We seem to be forgetting:

— that social security was created in a depression beyond the control of the government. Unemployment averaged 10½ million in 1935 and was still 9½ million in 1939.

— that in its early years social security was a deflationary factor in the over-all economic picture. The imposition of the payroll taxes helped bring on the recession of 1937-38.

— that social security was not intended to do everything. It was designed to deal with certain well-defined needs, providing some benefits as a matter of right but others only where need could be demonstrated.

In the quarter century since passage of the first social security act, the program has been tremendously expanded in scope and coverage. The trend is continuing. Included in the first legislative proposals of the Kennedy Administration are two measures for further expansion. The first would extend unemployment compensation payments from 26 to 39 weeks as an emergency measure to prevent the recession from deepening. The second would provide medical care for the aged under the old age, survivors, and disability insurance program as a permanent increase in the scope of that program.

Extended Unemployment Compensation

The case for the extension of unemployment compensation is clear cut when looked at from the payments' side alone. Unemployment has risen sharply; some 600,000 workers have already exhausted their 26-week benefit rights; and by the program's terminal date of June 30, 1962, the number exhausting such benefits is expected to reach 3 million. The special advantage of this program is that it puts additional funds into the hands of those who need it most — in contrast, for example, to proposed tax remissions, which would merely leave more funds with those who still had good incomes.

In approving this program, Congress wanted neither to minimize the immediate effect by adding to current taxes nor to burden the government budget. Financing is therefore provided on the instalment plan, in the form of a tax of 0.4 percent on payrolls in calendar years 1962 and 1963. This tax would presumably cover the costs and also replenish reserves for future recessions. However, there is no assurance that conditions will justify any tax increase at that time. Although the proposal as a whole may be regarded as a step in the right direction, the specific form it has taken shows all the earmarks of temporizing with the most convenient expedients.

A difficulty which unemployment compensation shares with most of the other "built-in stabilizers" is that its maximum effect comes early in a recession and begins to dwindle after a temporary peak has been passed. Since it is probably the most efficient means available for cushioning a decline, the best policy would look toward enlarging its contribution as a decline progressed. A method of accomplishing this was proposed by J. K. Galbraith in his book, *The Affluent Society*. It would provide for extending payment periods and increasing rates of compensation as the percentage of unemployed rose, and for letting them decrease again after the depression was over. Taxes would cover the entire cost but, being averaged over a period, would have no great effect on emergency payments made from the reserves accumulated in good times. Efforts to reduce taxes in good times or to prolong high payments after recovery would, of course, have to be resisted, and with these safeguards there would be a stabilizing effect through long as well as short declines.

Medical Aid for the Aged

The proposal to expand medical aid for the aged also has clear justification in terms of need. Persons over 65 are increasing in the total population in proportion as well as in numbers. They use two or three times as much hospital care as younger persons, and their incomes are not only lower but often fixed or declining. Many are already dependent upon public assistance for their medical care, but this assistance is widely held to be inadequate. Expenditures by this group will be rising in any case. With an insurance program to pay the costs, the services demanded will no doubt expand sharply.

When looked at from the supply side, the prospect is less rosy. There is no unemployment in the medical profession. Rather, existing resources are somewhat overworked. Although the imposition of higher loads may speed up the provision of additional resources — as would other proposed steps for medical training and construction — expansion in this area is a slow process. In the interim, the distortions of medical standards that have accompanied the growth of voluntary health insurance (see *Illinois Business Review*, October, 1960) would probably have similar effects in promoting waste and excesses. Limited facilities would be tied up through prolonged use by the elderly and become less available to other patients.

Although financing of this program is deferred to 1962-63, there would be little stimulating effect on the economy. Medical costs will be inflated still more, but there will not necessarily be much higher spending from already inflated incomes. On the other hand, this proposal also calls for increases in the highly regressive payroll taxes. This means that wage earners generally will be burdened in order that a minority may be freed from the necessity for applying for other assistance. When these taxes become effective, their deflationary effect will probably outweigh the inflationary effects of higher medical expenditures, so that on balance the program may put an additional drag on an economy that is already experiencing inadequate growth.

The economic consequences of these two proposals are evidently quite different. The two join, however, in raising a common issue about how widely instalment-

(Continued on page 8)

CEMENT PRODUCTION

Cement has been a powerful influence on modern construction, particularly in recent decades. With its economy, durability, and versatility, it has become one of the most essential raw materials in construction today, finding some utilization in nearly every engineering and architectural project undertaken.

The cement now commonly used is a relatively recent development. Although various crude cements, some possessing remarkable cohesive powers, had been employed in different societies since prehistoric times, most lacked either durability, uniformity, or adhesive strength because of the natural variations in the proportions of essential cementing chemicals used. These problems were not overcome until the late eighteenth and early nineteenth century when significant headway was made toward producing a strong cement that would harden under water, called hydraulic cement. Most important of the developments that led to this was the English discovery of a method in 1824 for making portland cement, so named because of the product's resemblance to stone quarried on the Isle of Portland in England. The portland cement process, which forms the basis for the manufacture of virtually all cement now produced in the United States, revealed for the first time that two types of carefully proportioned raw materials and two separate grinding operations were necessary for efficient hydraulic cement.

How Cement Is Made

A highly mechanized process, cement manufacture requires a series of operations, which are fully automated. Most mills are located near the source of raw materials, which are calcium, silica, alumina, and iron oxides. These materials are primarily obtained from minerals, such as limestone, shale, oyster shells, clay, marl, iron ores, and silica sand.

The materials, which may be quarried in blocks as large as a piano, are first reduced to a suitable size, blended, and then ground into particles as small as 1/20 to 1/200 inch. These particles are placed in a tube-like kiln, which may be 12 feet in diameter and 500 feet long. As the kiln revolves, the blended materials roll and tumble downward, gradually being exposed to more intense heat that reaches as high as 3,000° F. As the heat increases, gases are driven off, changing the original minerals into new minerals in the shape of a marble-sized white-hot "clinker." The clinker, which becomes harder than the rock from which it was produced, is cooled and then sent through a series of grinding machines until an extremely fine powder is produced. In the cooling stage, a retarder (gypsum) is added to regulate the setting time of the cement.

World Leader

Today, the United States accounts for about one-fifth of world output and is the international leader in cement manufacture. Nearly 334 million barrels of portland cement — each weighing 376 pounds — were produced in 1959, a record production year despite a prolonged steel strike and reduced requirements of concrete for the federal highway construction program. Shipments of portland cement in 1959 were valued at $1.1 billion, more than 75 percent above the 1950-54 average.

Because of the heavy capital outlays required for cement production, the industry today consists mainly of a small number of giant units. The size of these establishments is indicated by the fact that the typical plant in 1959 employed about 240 persons and shipped a product valued at nearly $6 million. Moreover, of the 172 mills in operation during 1958, more than half were controlled by the eight largest firms, which together accounted for about 55 percent of the total 390 million barrel capacity.

Highways and nonresidential building together take nearly one-half of annual cement shipments. Other major uses, amounting to about 10 percent each, are utilities, military construction, housing, and maintenance and repair. Other types of construction account for most of the remainder.

Illinois Industry

Illinois is a leading cement producer. As in a number of states, the output is produced entirely by a few large plants. There are four mills in Illinois, all found in the northern part of the State. Two are at Oglesby, one at Dixon, and one at La Salle.

Largest of these plants is the Marquette Cement Manufacturing Company, Oglesby, which accounts for 43 percent of the state's 10 million barrel annual capacity. The other three plants, all with capacities exceeding 1.5 million barrels, are the Medusa Portland Cement Company, Dixon; Lehigh Portland Cement Company, Oglesby; and the Alpha Portland Cement Company, La Salle. In 1959, these four mills, which together employ about 1,250 persons, shipped more than 9.5 million barrels of finished portland cement valued at $30 million.

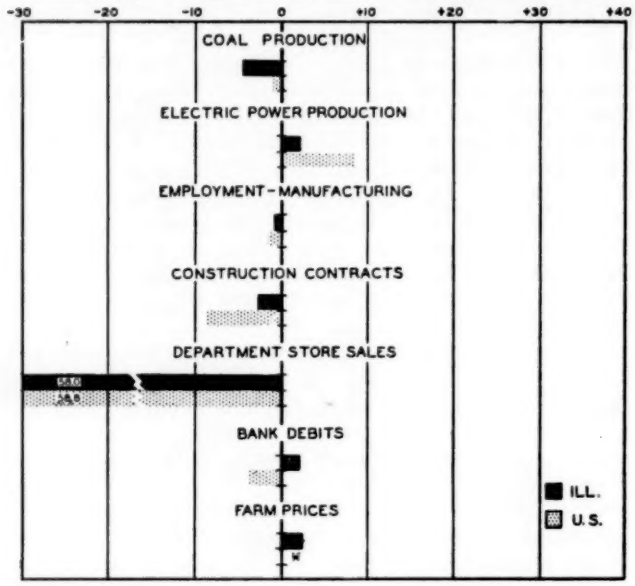
Because the two major costs in cement manufacture are transportation and fuel, the industry obtains greater economies by locating near its markets since suitable raw materials, particularly limestone, are found in most parts of the nation. Thus, the population density and high construction activity particularly of the Chicago area, plus the ample raw material supplies, largely explains the concentration of the industry in the northern part of the State.

Illinois, a heavy consumer of cement, annually uses twice the amount produced by the four mills in the State. Moreover, this demand has been on the upswing. The consumption of finished cement in the State increased 57 percent to 18 million barrels between 1950 and 1959, compared with a 47 percent rise nationally during the same period. Contributing to the growth here, as well as nationally, have been the sharp increases in road and building construction, the diversity of newer architectural uses of cement, such as with precast (or semi-fabricated forms), and improved techniques and equipment used in cement production.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes December, 1960, to January, 1961



* No change.

ILLINOIS BUSINESS INDEXES

Item	Jan. 1961 (1947-49 =100)	Percentage change from Dec. 1960	Percentage change from Jan. 1960
Electric power[1]	265.2	+ 2.2	+ 4.8
Coal production[2]	83.9	- 4.5	- 1.2
Employment—manufacturing[3]	94.4	- 0.8	- 7.9
Weekly earnings—manufacturing[3]	173.0[a]	+ 1.5	+ 0.1
Dept. store sales in Chicago[4]	119.0[b]	- 6.3	- 2.5
Consumer prices in Chicago[5]	130.4	- 0.2	+ 1.2
Construction contracts[6]	265.6	- 2.7	+ 2.9
Bank debits[7]	245.8	+ 2.1	+17.8
Farm prices[8]	83.0	+ 2.5	+ 9.2
Life insurance sales (ordinary)[9]	251.3	-27.7	+ 2.0
Petroleum production[10]	122.0	- 3.1	- 0.2

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U.S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] Data for December, 1960, compared with November, 1960, and December, 1959. [b] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Jan. 1961	Percentage change from Dec. 1960	Percentage change from Jan. 1960
	Annual rate in billion $		
Personal income[1]	406.3[a]	- 0.1	+ 2.7
Manufacturing[1]			
Sales	343.2[a]	- 1.7	- 8.0
Inventories	53.5[a, b]	- 0.2	+ 0.4
New construction activity[1]			
Private residential	17.2[c]	-15.9	-11.6
Private nonresidential	15.8[c]	- 7.6	+ 5.5
Total public	13.0[c]	-20.2	+14.5
Foreign trade[1]			
Merchandise exports	21.6[d]	- 0.0	+ 7.3
Merchandise imports	13.9[d]	- 0.3	-21.7
Excess of exports	7.7[d]	+ 0.6	+225.1
Consumer credit outstanding[2]			
Total credit	55.0[b]	- 1.8	+ 7.1
Instalment credit	42.8[b]	- 1.2	+ 8.7
Business loans[2]	35.8[b]	- 3.8	+ 3.7
Cash farm income (rev.)[3]	37.5[d]	-15.9	+ 4.3
	Indexes (1947-49 =100)		
Industrial production[2]			
Combined index	102[a, e]	- 1.0	- 6.4
Durable manufactures	95[a, e]	- 1.0	-14.4
Nondurable manufactures	110[a, e]	- 1.8	- 2.7
Minerals	98[a, e]	+ 1.0	0.0
Manufacturing employment[4]			
Production workers	94	- 0.8	- 7.5
Factory worker earnings[4]			
Average hours worked	97	0.0	- 4.2
Average hourly earnings	174	0.0	+ 1.3
Average weekly earnings	169	0.0	- 3.0
Construction contracts[5]	218	- 8.6	+13.3
Department store sales[2]	142[a]	- 3.4	- 2.7
Consumer price index[4]	127	- 0.1	+ 1.6
Wholesale prices[4]			
All commodities	119	+ 0.3	+ 0.4
Farm products	90	+ 1.1	+ 3.7
Foods	110	+ 0.5	+ 4.0
Other	128	+ 0.2	- 0.5
Farm prices[3]			
Received by farmers	89	0.0	+ 3.5
Paid by farmers	120	+ 0.8	0.0
Parity ratio	80[f]	- 1.2	+ 2.6

[1] U.S. Dept. of Commerce; [2] Federal Reserve Board; [3] U.S. Dept. of Agriculture; [4] U.S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] End of month. [c] Includes Hawaii and Alaska. [d] Data for December, 1960, compared with November, 1960, and December, 1959. [e] 1957 = 100. [f] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1961					1960
	Feb. 25	Feb. 18	Feb. 11	Feb. 4	Jan. 28	Feb. 27
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,096	1,222	1,227	1,213	1,171	1,373
Electric power by utilities mil. of kw-hr.	14,239	14,315	14,744	15,072	15,361	14,092
Motor vehicles (Wards) number in thous	122	98	111	124	116	186
Petroleum (daily avg.) thous. bbl.	7,207	7,167	7,174	7,137	7,198	7,318
Steel 1947-49 =100	92	92	88	87	85	156
Freight carloadings thous. of cars	468	502	486	498	476	553
Department store sales 1947-49 =100	122	115	111	106	103	110
Commodity prices, wholesale:						
All commodities 1947-49 =100	119.9	120.0	120.0	120.0	119.9	119.3[a]
Other than farm products and foods 1947-49 =100	128.2	128.2	128.1	128.2	128.1	128.7[a]
22 commodities 1947-49 =100	84.4	84.3	84.2	83.7	83.1	83.3
Finance:						
Business loans mil. of dol.	31,248	31,289	31,045	31,067	31,150	30,178
Failures, industrial and commercial number	348	374	376	368	400	277

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for February, 1960.

RECENT ECONOMIC CHANGES

Rise in Farm Income

Net farm income, including government payments and the net change in farm inventories, rose slightly to $12.0 billion in 1960 from $11.8 billion in 1959. Almost all of the gain resulted from a larger volume of farm marketings. The Agriculture Department reported that 32 states shared in the advance, led by Maine where average farm income jumped 98 percent to $3,084 per farm. For the country as a whole, net income averaged $2,646 per farm, up 4 percent from the previous year.

On a per capita basis, income from farming rose to $657 last year from $644 in 1959. This was supplemented by income earned by farmers in nonfarm jobs. Such earnings, which have been rising steadily in the postwar period (see chart), amounted to $329 in 1960, compared with $321 in 1959. As a percentage of the total, average income from nonfarm sources has risen from 20 percent in 1946 to 33 percent last year.

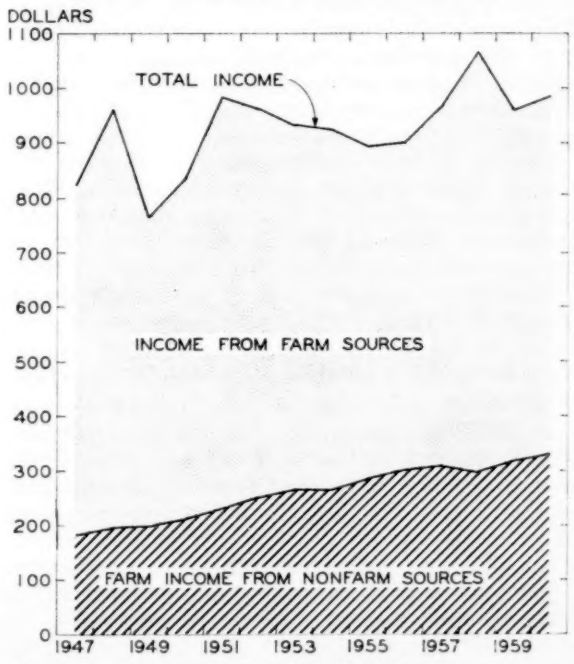
Total farm income from all sources averaged about $986 in 1960, compared with the average income for the nonfarm population of $2,282. For the entire population, income averaged $2,131 per capita in 1960.

Machine Tool Demand Falls

Net new orders for metal-cutting machine tools fell to $35 million in January, down 26 percent from $47.4 million in December and 19 percent below January, 1960. The January level was the lowest since last July.

The weakness in total net new orders, however, does not accurately reflect the extent of the reluctance of United States manufacturers to place orders for new machinery, since foreign demand continues to grow as a strong element in the total. In January orders from foreign manufacturers amounted to $14.5 million, about 41 percent of the total. Domestic orders for cutting tools, on the other hand, totaled $20.5 million in January, the lowest since November, 1958, when they fell to $18.9 million.

PER CAPITA NET FARM INCOME



Source: U.S. Department of Agriculture.

Gross National Product

The nation's output of goods and services reached $503 billion last year, an increase of $21 billion, or 4.9 percent, over 1959. After adjustment for price changes the gain amounted to 3 percent.

On a quarterly basis, the dollar value of gross national product rose through the first two periods to a peak seasonally adjusted annual rate of $505 billion at midyear. In the final two quarters GNP fell back to a rate of $503.5 billion.

GROSS NATIONAL PRODUCT OR EXPENDITURE

(Billions of dollars)

	1960	*1959*	*4th Qtr. 1960**
Gross national product	503.2	482.1	503.5
Personal consumption	327.8	313.8	330.8
Durable goods	43.6	43.4	43.2
Nondurable goods	152.4	147.6	152.9
Services	131.7	122.8	134.7
Domestic investment	72.8	72.0	66.0
New construction	40.4	40.3	40.3
Producers' durable equipment	28.8	25.8	28.7
Change in business inventories	3.6	5.9	−3.0
Nonfarm inventories only	3.2	5.4	−3.4
Foreign investment	3.0	−1.0	4.6
Government purchases	99.7	97.1	102.1
INCOME AND SAVINGS			
National income	417.9	399.6	n.a.
Personal income	404.2	383.3	408.5
Disposable personal income	354.2	337.3	358.1
Personal saving	26.4	23.4	27.2

* Seasonally adjusted at annual rates.
Source: U.S. Department of Commerce.

Final demand advanced in every quarter during 1960, rising from an annual rate of $482 billion in the final three months of 1959 to over $506 billion in the fourth quarter last year. Declines in fixed investment after midyear were more than offset by continued gains in consumer and government purchases.

The inventory picture, however, was more volatile. After reaching an accumulation rate of $11 billion in the first quarter, demand weakened steadily, and in the final quarter of 1960 nonfarm inventories were being liquidated at a $3.4 billion annual rate.

Unemployment

Unemployment continued to rise in February as 320,000 persons were added to the jobless list. This increase pushed the total of unemployed to more than 5.7 million, the highest level since the summer of 1941. The previous postwar high occurred in June, 1958, when 5.3 million workers were without jobs. The latest advance raised the seasonally adjusted rate of unemployment to 6.8 percent of the labor force.

Labor Department data, in thousands of workers, are as follows:

	Feb. 1961	*Jan. 1961*	*Feb. 1960*
Civilian labor force	70,360	69,837	68,449
Employment	64,655	64,452	64,520
Agricultural	5,242	4,634	4,619
Nonagricultural	59,413	59,818	59,901
Unemployment	5,705	5,385	3,931
Seasonally adjusted rate	6.8	6.6	4.8

TAXATION, INDUSTRIAL LOCATION, AND TAX REFORM

JOHN F. DUE, Professor of Economics

For many years a major issue in the field of taxation has been that of the effect of state-local taxation upon industrial development. When Governor Kerner proposed increases in the Illinois corporate franchise tax in January, the usual reaction, employed traditionally in every state under like circumstances, came at once: the proposed increase would drive industry out of the State and stifle economic development. Supporters of the program were quick to insist that taxation has no effect on location. What is the evidence as to the actual influence of taxation upon location of industry? And what role should this influence play in tax reform?

Studies of Tax Impact on Location

A number of empirical studies have sought to ascertain the actual impact of state-local tax differences upon industry location, by comparing rates of industrial growth and relative tax burdens by state. Many of the earlier studies were too crude to be of practical importance, but some of the recent ones using modern statistical techniques, have brought conclusions of greater significance. An Iowa study by C. C. Bloom, *State and Local Tax Differentials* (1956), compared relative growth rates in manufacturing employment and investment in various states with relative state-local tax burdens, and found that the most rapid growth in manufacturing had occurred in the states with relatively higher rather than lower tax burdens.

A much more elaborate study by W. R. Thompson and J. M. Mattila, entitled *An Econometric Model of Postwar State Industrial Development* (Wayne State University Press, 1959), considered only taxes imposed directly on business but found similar results: there was no evidence that differences in state-local business tax burdens had any influence upon relative economic growth in various states. Even the most casual observations indicate that several states of rapid industrial growth in recent decades, such as California, Georgia, and Kentucky, are ones which place relatively heavy tax burdens on business and employ corporate income taxes.

These studies are of course by no means conclusive; they are concerned with economic growth as a whole and not solely with manufacturing, the type of activity most likely to be affected by taxation. And the most modern scientific techniques of analysis cannot provide an answer to the question, Would the high tax areas have grown even more rapidly had the taxes been lower? But they certainly do provide strong evidence that the oft-repeated statements about high taxes having disastrous effects upon a state are completely unfounded.

A number of studies have analyzed the relationship between state and local taxes and total manufacturing costs. A Michigan study showed that state taxes constituted about one-half of 1 percent of total manufacturing costs, and state and local taxes combined a little over 1 percent. Michigan is a relatively high-business-tax state, as is Minnesota, where the similar figure is about .9 percent. A comparison between Michigan and Illinois showed a state tax differential equal to only .3 percent of total costs, although the former is well known as a high tax state and the latter as a low tax state.

The very low ratio of state taxes to total costs does not prove that taxes have no effect upon location. But it strongly suggests that taxes cannot be significant in any large number of cases as a factor offsetting the large variation which occurs in wage, materials, fuel, power, transportation, and other costs. A very small percentage differential in these items will produce a much greater cost differential than a very large percentage differential in taxes.

Other students of the problem have attempted to assess the significance of various factors affecting location by interviews with corporation officials. The results of the general surveys are similar, and one by *Business Week* in 1958, entitled "Plant Site Preferences of Industry and Factors of Selection," is representative. A survey of a large number of manufacturing firms produced some 747 references to factors influencing location decisions; only 5 percent mentioned taxes.

A sample of Michigan manufacturers was asked to specify the factors which they found disadvantageous in a Michigan location. Despite all the discussion of high taxes in that state, only 9 percent mentioned taxes. (W. Haber, *The Michigan Economy*, 1959, p. 178.)

Some of the most convincing statements about the role of taxation in location are those of Maurice Fulton, an official of a major factory-locating service in the United States, an organization which probably has more day-to-day contact with actual business location decision-making than any other in the country. He states (in P. McCracken, ed., *Taxes and Economic Growth in Michigan*, 1960, p. 62): ". . . tax costs, primarily state tax costs, are rarely, if ever, the principal factor in plant location. They are one of many considerations affecting the decision." In a study by his organization of a number of actual plant location decisions, the conclusion was reached that "in every case state taxes are the least significant of all factors" (p. 71). He does recognize the possible effect of taxes on the general business image of a state, as discussed below.

When business executives are asked specifically about the significance of taxation for location, in a survey which they know is directly concerned with taxes, the tax response is somewhat higher. A Massachusetts survey (a state also known for high business taxes) asking specifically if state and local taxes had ever influenced location decisions elicited an affirmative response from 19 percent. (J. D. Strasma, *State and Local Taxations of Industry*, Federal Reserve Bank of Boston, 1959.) However, while these results are of some significance, they are not very conclusive, since the vigorous anti-tax attitude of so many businessmen today conditions them to this type of an answer, and the replies give no indication of whether taxes played a crucial role in the decision, or were merely one factor.

Why Taxes Have Limited Significance

The obvious conclusion of these various approaches to the problem, although one not based on completely scientific evidence, is that state taxation plays a minor role in industrial location and economic development in particular areas. For this conclusion there are several rather obvious reasons. A major one, as noted above, is the fact that state taxes constitute such a small percentage of total costs that they cannot be a deciding influence in any significant number of cases, given the great variation in other major cost elements. Many business firms have very little choice, given the nature of their business,

which attaches them firmly to their market or to raw materials. Secondly, the deductibility of state taxes from income subject to federal income taxes cuts in half any differential which otherwise exists for the typical firm subject to federal income taxes at a marginal rate of 52 percent. Thirdly, responsible business executives are well aware that higher tax rates may be offset by more adequate services of direct benefit to the enterprise, its executives, and employees.

Finally, for long-range decisions relating to location, the relevant tax factor is not that of present taxes alone but of taxes over the period of life of the facilities. Low taxes today are not significant if there is great danger of sharp increases or general uncertainty about future tax trends. In this respect states with broad, well-balanced, generally accepted tax structures are more favorable than ones with narrow-based taxes which are subject to constant complaint and pressure for change.

These conclusions do not deny that taxation may have some effect. There are two principal avenues. First, there are certain to be a few marginal cases in which taxation will be the deciding influence, since other forces will balance out. For reasons noted, these situations are not likely to be numerous, although the exact number is impossible to estimate. State taxes are most likely to be relevant when the general area dictated by basic location factors straddles a state line. Relative local taxes will influence plant location as between adjacent municipalities where burdens differ noticeably.

Second, each state develops a certain general reputation or "image" in the eyes of the business community. The images are a reflection of a number of factors, including degree of unionization, state regulatory policies, workmen's compensation and unemployment compensation levies, state policy toward unions, avoidance of deficits, and finally, taxation affecting business.

Some states have built up an unfavorable image, others a very favorable one. Over the years, for example, it would appear that of the states with which Illinois is directly competitive for location, Michigan and Wisconsin have created unfavorable reputations, while Illinois, Indiana, Ohio, Kentucky, Tennessee, Mississippi, Iowa, Missouri, and the Carolinas have relatively clean slates. A primary influence of this image is to lead some firms to refuse to consider location in a particular state, without even bothering to calculate relative costs. In part this is a question of prestige in the eyes of other businessmen — to avoid such comments as "you must be crazy to build a new plant in state X."

Taxation is only a factor in this image, but it has definitely played some role. As between Wisconsin and Illinois, for example, the tax factor has, according to experts in the field of location familiar with specific decisions, led some firms to locate on the Illinois side of the border rather than the Wisconsin side. However, over the last fifty years, the over-all rate of industrial growth has not been significantly different in the two states, as shown by data assembled by the University of Wisconsin Tax Study Committee in their report, *Wisconsin's State and Local Tax Burden* (Madison: 1959, pp. 28-29).

The Current Illinois Tax Problem

The State of Illinois currently faces urgent need for additional state revenue to meet existing programs. Although some relatively simple changes, such as extending the scope of the sales tax, will improve the situation, they can scarcely be adequate to solve it. The State thus faces a basic dilemma. If no action is taken, a severe financial crisis, of the sort which has plagued Michigan in recent years, is certain to arise. But potential action is restricted by state constitutional provisions. Pending basic constitutional change, the State must choose between two general routes: an increase in the sales tax as the sole source, or use of a general business tax which will make some significant contribution to state revenue.

Although the sales tax is generally accepted as an appropriate source of revenue for the State, there is widespread resistance to continued sales tax increases as the sole solution to the state's financial problems, in light of the inequitable over-all distribution of burden of the tax. Only one state gains a higher percentage of its revenue from the retail sales tax than Illinois.

As a consequence, failure to take some steps toward a general business tax, while superficially beneficial to the business community, poses several serious dangers to it as well as to state finances. There will be constant pressure in the legislature to make changes, and constantly recurring debates over the issue, which will become more acrimonious as the financial pressure increases. Uncertainty as to final outcome could have more detrimental effect than a moderate tax. An impasse arising out of the determination of various groups to permit no further sales tax increases without the development of other levies could create a Michigan-type crisis, with consequent disastrous effects on the general business reputation of the State. And the longer that a reasonable business tax is resisted, the greater the dangers that supporters of such legislation will ultimately push through severe and essentially punitive measures. Finally, it should be noted that the sales tax itself has some adverse impact on business investment, since, unlike the other sales taxes in the major industrial states except California, the tax applies to purchase of new equipment by business firms, except custom-order items.

The use of some form of general business tax not only has merit in providing a broader tax base for the State, but also in ensuring a contribution from business firms, and indirectly from their owners (many of whom live outside the State) and consumers of their products, for the benefits received from the conduct of state activity. At present Illinois receives virtually nothing in the way of general tax revenue from business firms as such, yet these obviously benefit in many ways. Such a situation involves essentially a subsidy by the people of the State as a whole to business in the State, one which may not only be regarded as basically inequitable, but unjustifiable on any grounds.

General Business Tax Dangers Exaggerated

If Illinois follows the alternative of introducing a significant general business levy, it does run, of course, a limited risk of affecting a few investment decisions and of interfering somewhat with the good "image" of the State in the eyes of the business community. But, as noted, these dangers have without question been tremendously exaggerated by the opponents. Of our neighbors, Iowa, Kentucky, Missouri, Tennessee, and Mississippi all have corporate income taxes, yet none has built up an adverse image in the eyes of business. Indiana has a gross income tax affecting both business and individuals, and one difficult to shift in some instances, yet it is regarded as one of the favored states.

A number of studies have been made of relative tax costs in the Midwest states for typical manufacturing

firms, or of various branches of firms operating in several states. Virtually all of these have shown Illinois to offer the lowest state tax burden, and frequently lowest state-local tax. For example, a Pennsylvania Economy League study, *The Relative Tax Cost to Manufacturing Industry* (Pittsburgh: 1957), showed Illinois to have the lowest state tax cost of nine industrial states, with a figure for the typical firm of $12,369, compared with a high of $131,153 in Pennsylvania. A report prepared for the Federal Reserve Bank of Boston showed Illinois to be the low of seven industrial states, $4,100 versus a high of $28,468 in Massachusetts. A very detailed Michigan study showed a much lower ratio of Illinois state taxes to Michigan taxes on manufacturers than those of the other six industrial states compared in like fashion. See D. B. Yntema, *Michigan's Taxes on Business* (Holland, Mich.: Hope College, 1959). There is clearly a substantial margin in which Illinois can obtain considerable revenue from this source without getting itself in the "high business tax" category and without endangering its economic growth. Granted, there may be loss of a few marginal firms — but this is not likely to be significant and is far less hazardous to the State than the dangers of recurrent argument and financial crisis from the alternative path. A state obviously cannot build its tax structure solely on the criterion of the fear of the loss of some business activity, but must think of equity and other considerations as well. And it must be kept in mind that our neighboring states are all faced with much the same problem; all will be turning to new revenue sources and increased use of existing ones in the coming decade.

An Equitable Business Tax

The specific provisions of tax legislation may be as significant for business as the nature of the taxes and the over-all levels. It is important to use a form of business tax which is equitable among business firms; thus some form of franchise tax based on net income, with moderate and nonprogressive rates, is necessary to replace the present inequitable tax related to paid-in capital, which is grossly discriminatory among various companies according to their capital structure. In addition, the poorly administered and equally inequitable capital stock (corporate excess) tax element in the property tax should be wiped out entirely. Likewise, equitable formulas for allocation of interstate income, which include sales as a factor, with sales ascertained by place of delivery, are extremely important to avoid unjust multiple taxation.

The responsible business community of Illinois is well aware of the need for additional state revenues and of the urgency of a more balanced over-all tax structure. Their acceptance of a moderate corporate franchise tax based on profits, without an acrimonious fight, will avoid the serious dangers which confront the state if no broadening of the over-all tax system is attempted, and help protect, rather than destroy, the favorable reputation which Illinois enjoys in the business community of the United States.

Responsible business groups justifiably object to high business levies imposed in a punitive spirit, to the gouging of certain industries, such as the railroads by New Jersey, and to rules which attempt to import income for tax purposes to which the state has no legitimate claim. They do not insist on something for nothing or expect subsidies from other groups. Yet, by the accidents of history, this is the present Illinois situation.

Social Security Expansion

(Continued from page 2)

payment and insurance techniques should be applied in national programs. The use of these techniques in the private sectors of the economy have become highly fashionable. They are, in fact, commonly overworked, misused, and abused. The possibilities of future difficulties arising from such practices are generally ignored.

Widening Use of the Insurance Principle

What should be remembered in applying the "insurance principle" is that it establishes claims which have to be met regardless of conditions. People who make regular payments expect specified benefits as a matter of right, and the question of whether or not they need help becomes irrelevant. By the same token, the burden on the government becomes established and the question of whether there will be a need to conserve public resources for other purposes is left unanswered.

One question here concerns the nature of the risks. Insurance should be used only to cover risks that are insurable. To the individual, unemployment is such a risk. This is correct from a broader viewpoint as long as unemployment remains near the frictional minimum. When it rises well above that level, the hazard for the individual increases but the nature of the situation is such that it becomes a collective risk. As Galbraith points out, the economy cannot place insurance to protect itself against such a development. The federal government must act to restore full employment, and doing so may require all its tax and credit resources. In undertaking a broadened program of the kind described above, it might be better to do so as part of a program of stabilization rather than as a form of insurance.

The medical aid proposal also deals with seemingly insurable risks, but the risks are not altogether unavoidable because so much of the expense they entail is under the control of the individual, or more accurately speaking, under the joint control of the patient and his doctor. This opens the door to extensive excesses and inequities, and it may be desirable to protect against abuses by insisting upon some kind of investigatory and control procedures. Again, there is no need to approach the problem as a kind of insurance with specific financing.

Current practice calls for financing social security on an "actuarially sound" basis. A schedule of future increases in payroll tax rates has been enacted to cover estimated future costs. Rates are scheduled to rise to 4½ percent each for employer and employee by 1969, and new programs will tend to increase this still further. The future costs are of necessity estimates, but there is no doubt that benefits will be rising continuously through the rest of this century. The rate increases will offset the cost increases on the assumption that full employment will prevail throughout, except possibly for minor interruptions. This, however, can hardly be considered assured, and if tax receipts fail to expand on schedule, rising benefit costs will inexorably push the system into a deficit position.

The easy answer, consistent with current practice, is to raise the payroll tax rates further. But under conditions of economic stagnation or adversity, this would depress the economy still further. Thus, the government might face a deficit on social security account at just the time it should be taking other action to stimulate the economy. Since our fiscal thinking is still oriented toward avoiding deficits, there is some likelihood that appropriate action would then be inhibited. VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Cities' Employment and Pay Rates

Employment by city governments in the United States during October, 1960, rose to 1.7 million, 3.4 percent above the previous October, according to a recent report by the Bureau of the Census. About 85 percent of these employees were full-time workers. A large percentage of the part-time workers were firemen and elected officials of small municipalities.

The larger the city, the greater is the proportion of municipal employees to total population on a full-time equivalent basis. For example, in the five cities with population over 1 million persons in October, 1960, there were about 182 employees per 10,000 inhabitants, compared with an average of 66 persons per 10,000 for cities of less than 25,000 persons.

Pay rates for city workers also differ widely among the several size groups of cities. For full-time employees of city-operated schools, the average salary ranged from $573 a month in the five largest municipalities down to $405 a month in cities with less than 25,000 inhabitants. Employees working in all other municipal functions averaged $453 a month in salaries and wages in the cities over 1 million persons, compared with $311 a month in cities of less than 25,000 people.

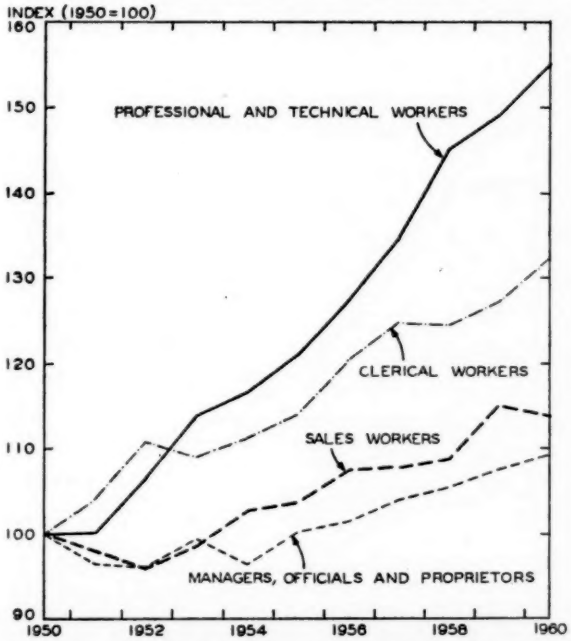
Demand for College Graduates

Dr. Frank S. Endicott of Northwestern University has released his fifteenth annual report on planned recruitment of college graduates by business firms. It indicates that openings and salaries for graduates seeking employment in 1961 will be better than in the previous year when both reached an all-time high. The Endicott survey covers 210 companies which are for the most part large manufacturing firms with special interest in outstanding graduates with technical backgrounds.

The survey reports that the 1961 quotas of these companies amount to about 18,500, up slightly from 1960. About 40 percent of the openings are for graduates trained in some phase of engineering. Recruitment of engineers is expected to be up nearly 6 percent over that of 1960, whereas openings for nonengineering graduates will be down about 3 percent.

Indications are that salaries for 1961 graduates will be 2 to 3 percent higher than for last year's graduates. Engineering graduates will receive the highest salaries, $425 to $575 a month. Their average starting salary will be about $520 a month. Salaries for accountants, sales, and general business trainees will be as high as $550 a month, with average monthly salaries at the start amounting to $458, $451, and $439 respectively.

CHANGES IN EMPLOYMENT IN WHITE-COLLAR OCCUPATIONS SINCE 1950



Source: U.S. Department of Labor, *Monthly Labor Review*, January, 1961, p. 15.

Concentration in Advertising Agencies

The *1958 Census of Business* reports that the 4,240 advertising agencies in the United States in 1958 had total receipts of $4.3 billion. Of these agencies, 3,367 which reported more detailed information had receipts totaling $4.2 billion, and they reported commissions amounting to $508 million and income of $137 million from sales of advertising materials and services. Some $3.4 billion, or 80 percent, of the $4.2 billion was the cost of advertising media, such as space in magazines, newspapers, and periodicals or time on radio and television. The billing for advertising materials and services was $725 million and service fees totaled $89 million.

As would be expected, agencies in the New York standard metropolitan area had the largest amount of the advertising business in the nation. In 1958, their total receipts amounted to $1.9 billion, or 44 percent of all receipts in the country. Agencies in Chicago's metropolitan area were second with approximately $638 million, followed by agencies in the Detroit metropolitan area with $335 million.

Upward Trend in White-Collar Employment

White-collar employment in the United States continued its long-term movement upward both in numbers and as a proportion of the total labor force during the decade of the 1950's. Between 1950 and 1960, white-collar employment rose 27 percent from 22.4 million to 28.5 million, compared with the 17 percent increase in total nonagricultural employment. White-collar workers accounted for 47 percent of total nonfarm employment in 1960, up 4 percentage points from 1950.

In contrast to previous periods when clerical workers were the fastest growing white-collar group, the 1950's were marked by the rapid increase of professional and technical workers (see chart). This group increased substantially in nearly every year, including recession periods. In 1960 there were 7.4 million persons employed in professional and technical work, up 55 percent from 1950. Clerical employment increased 32 percent to 9.7 million. Although this rate of increase was almost double that of total nonagricultural employment, it was down from the level reported in earlier decades. The number of sales workers increased 17 percent and the number of managers, officials, and proprietors rose 9 percent.

LOCAL ILLINOIS DEVELOPMENTS

Unemployment High in Illinois

According to the Illinois Department of Labor, unemployment in the State reached 315,000 in January. This was 7.3 percent of the state's work force of 4,264,000 persons. The Chicago area, which accounts for about two-thirds of the work force in the State, was reported to have 190,000 workers unemployed, or 6.8 percent of the area's total work force. A survey of the unemployed in the Chicago area revealed that about 60 percent of all insured unemployed were in the semiskilled and unskilled occupations. Negroes, who account for 12 percent of the labor force, made up about 40 percent of the total unemployed in the Chicago area. Younger workers, either because they are unskilled or semiskilled or because they lack seniority, have been seriously affected by the recession. Older workers who have skills and seniority have generally been able to ride out the downturn. On the other hand, when older workers lose their jobs they often have the greatest difficulty in obtaining employment.

In the southern part of the State, there are some counties reporting an unemployment rate of about 25 percent, of which about 5 percent is attributable to the present recession. Long-term contraction of employment in the coal industry is the basic cause of the area's depressed condition. Unemployment in the mining areas, which has not dropped below 16 percent during the last seven years, has resulted not only because mines have closed, but also because the remaining mines have become highly mechanized.

Improved Housing for Relocated Families

A report entitled *Rehousing Residents Displaced from Public Housing Clearance Sites in Chicago* was recently released by the Department of City Planning and the Chicago Housing Authority. It presents the results of a survey conducted among 197 families that moved from thirteen CHA clearance sites during 1957 and 1958. Before relocation 162 families, or 83 percent of those surveyed, were living in substandard housing. After relocation 81 families, or 42 percent, still lived in substandard units, but 114 families, or 58 percent, were living in standard housing.

The report further shows that with improved quality of housing a majority of the tenants experienced rent increases. The range of monthly rentals for most families rose from $40-$70 before relocation to $60-$100 afterwards. The report also indicates that families in all income groups shared in obtaining improved housing, but those with annual incomes of $3,000 or less experienced the least gain.

Rise in Average Weekly Earnings Slows

Average weekly earnings in manufacturing industries in Illinois amounted to $97.75 in 1960, compared with $96.66 in 1959 and $89.83 in 1958. As is shown in the accompanying chart, average weekly earnings in 1958 rose very rapidly after February's low of $86.90 to $93.97 in December. Since then they have increased much more slowly.

Over the three-year period the rise in average weekly earnings has been largely due to significant increases in hourly earnings. These advanced from $2.25 in January, 1958, to $2.49 in December, 1960. Average weekly hours worked amounted to 39.4 in 1958 and 40.6 in 1959. In 1960, they declined to 40.0. During 1959, there were no months in which the average number of hours worked fell below the 40-hour workweek. However, in 1960 nearly half of the months registered average workweeks of less than 40 hours.

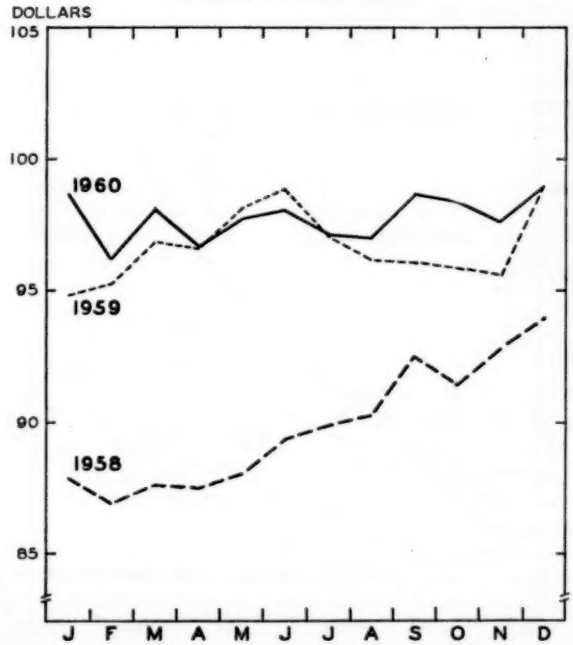
Average weekly earnings vary widely among the different manufacturing industries. In December, 1960, workers in printing, publishing, and allied industries and in petroleum refining and related industries had the highest average weekly earnings, $116.28 and $115.63 respectively. On the other hand, workers in apparel and other finished textile products industries earned an average of only $61.34 a week, and workers in the leather and leather products industries received an average of $68.71 a week.

Telephone Expansion Planned

The General Telephone Company, which serves numerous communities in central and southern Illinois, announced recently that it plans to spend an estimated $18.5 million on construction in 1961. This represents the largest sum spent on construction by the company in a single year and is 40 percent above that spent last year.

Some of the major projects scheduled for this year include the conversion of twelve exchanges to dial operation and the replacement of five dial central offices. In addition, work has started or will begin this year on building construction for major dial conversion in five other cities and will be completed in 1962. The company plans to bring direct long-distance dialing to ten communities this year. Also included in this year's budget are provisions for completing a micro-wave link between Olney, Flora, and Centralia and for beginning another micro-wave system which will connect Marion, Carbondale, DuQuoin, and Centralia. The micro-wave facilities are to implement long-distance service in this area. Other major projects will be undertaken in 84 cities; the great majority are to be completed within the year.

ESTIMATED AVERAGE WEEKLY EARNINGS IN MANUFACTURING



Source: Illinois State Employment Service and Division of Unemployment Compensation.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

January, 1961

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		**$25,053**[a]	**1,304,406**[a]	**$684,885**[a]		**$21,489**[a]	**$19,851**[a]
Percentage change from	Dec., 1960	−61.5	+2.6	+25.2	−58	+2.1	−8.5
	Jan., 1960	+11.0	−1.2	−1.5	−3	+17.8	+9.2
NORTHERN ILLINOIS							
Chicago		**$18,277**	**951,877**	**$485,161**		**$19,947**	**$16,762**
Percentage change from	Dec., 1960	−69.7	+1.9	+22.3	−58	+2.3	−11.4
	Jan., 1960	+29.0	−2.3	−4.3	−3	+18.9	+9.8
Aurora		**$ 276**	n.a.	**$11,114**		**$ 83**	**$ 192**
Percentage change from	Dec., 1960	−2.5		+26.1	−61	−5.5	+9.5
	Jan., 1960	+37.3		+4.3	−4	+1.5	+9.7
Elgin		**$ 233**	n.a.	**$ 8,175**		**$ 52**	**$ 146**
Percentage change from	Dec., 1960	+59.6		+24.7	n.a.	−9.4	−25.4
	Jan., 1960	−77.6		+4.4		+4.1	−3.3
Joliet		**$ 258**	n.a.	**$13,973**		**$ 93**	**$ 177**
Percentage change from	Dec., 1960	+35.8		+28.1	−60	−1.1	+25.8
	Jan., 1960	−24.3		−2.0	−8	−1.9	+6.0
Kankakee		**$ 131**	n.a.	**$ 6,880**		n.a.	**$ 96**
Percentage change from	Dec., 1960	+219.5		+40.0	n.a.		+24.3
	Jan., 1960	+142.6		+8.2			+27.9
Rock Island-Moline		**$ 496**	**24,982**	**$13,772**		**$ 115**[c]	**$ 199**
Percentage change from	Dec., 1960	−59.4	−12.5	+27.3	n.a.	−13.7	−10.2
	Jan., 1960	−35.8	−17.5	−2.7		−4.3	−2.7
Rockford		**$ 1,674**	**57,606**[c]	**$24,128**		**$ 202**	**$ 365**
Percentage change from	Dec., 1960	+534.1	+7.8	+29.8	−65[c]	−8.1	+18.6
	Jan., 1960	+200.0	+0.0	+3.1	−8[c]	−2.0	+8.3
CENTRAL ILLINOIS							
Bloomington		**$ 153**	**12,343**	**$ 7,463**		**$ 86**	**$ 123**
Percentage change from	Dec., 1960	−21.5	+5.9	+30.9	n.a.	+12.0	−5.9
	Jan., 1960	+8.5	+9.0	+9.6		+16.6	−0.5
Champaign-Urbana		**$ 115**	**16,764**	**$10,556**		**$ 89**	**$ 177**
Percentage change from	Dec., 1960	−71.5	+3.7	+27.1	n.a.	+6.6	+16.2
	Jan., 1960	−20.7	+9.0	+7.5		+11.7	+9.6
Danville		**$ 430**	**15,482**	**$ 8,257**		**$ 53**	**$ 79**
Percentage change from	Dec., 1960	+46.8	+3.8	+24.9	−65	−0.9	−19.7
	Jan., 1960	−86.7	+9.2	+5.7	−6	−1.6	−14.2
Decatur		**$ 201**	**37,546**	**$14,452**		**$ 125**	**$ 183**
Percentage change from	Dec., 1960	−50.4	+2.9	+31.4	−62[c]	+1.7	+24.8
	Jan., 1960	−39.6	+4.6	+4.4	−5[c]	+6.9	+1.8
Galesburg		**$ 30**	**10,449**	**$ 6,020**		n.a.	**$ 71**
Percentage change from	Dec., 1960	−61.5	+7.0	+43.2	n.a.		+36.4
	Jan., 1960	+150.0	+2.1	+5.0			+5.6
Peoria		**$ 404**	**62,610**[c]	**$29,185**		**$ 239**	**$ 396**
Percentage change from	Dec., 1960	−27.5	+8.6	+70.4	−61	+1.6	−9.7
	Jan., 1960	+93.3	+0.1	+32.0	+1	+6.8	−6.3
Quincy		**$ 170**	**13,809**	**$ 7,005**		**$ 60**	**$ 172**
Percentage change from	Dec., 1960	+44.1	+3.6	+12.1	n.a.	+14.6	+91.9
	Jan., 1960	+78.9	+12.1	+2.4		+21.9	+43.4
Springfield		**$ 461**	**44,552**[c]	**$15,860**		**$ 143**	**$ 439**
Percentage change from	Dec., 1960	+72.7	+3.0	+24.0	−58[c]	+6.0	+34.6
	Jan., 1960	−53.2	+6.9	−1.1	+5[c]	+8.5	+15.7
SOUTHERN ILLINOIS							
East St. Louis		**$ 12**	**18,936**	**$10,283**		**$ 157**	**$ 152**
Percentage change from	Dec., 1960	−87.4	+5.2	+18.1	n.a.	−0.0	+54.1
	Jan., 1960	−92.8	+13.1	+3.7		+6.9	+10.3
Alton		**$ 1,714**	**23,837**	**$ 6,259**		**$ 46**	**$ 70**
Percentage change from	Dec., 1960	+2,709.8	+10.5	+24.7	n.a.	−1.6	+34.4
	Jan., 1960	+2,016.0	−4.2	+1.8		+2.9	+73.1
Belleville		**$ 18**	**13,612**	**$ 6,344**		n.a.	**$ 51**
Percentage change from	Dec., 1960	−89.4	+9.1	+33.5	n.a.		−29.8
	Jan., 1960	−43.8	+8.8	+13.7			−39.7

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] Local sources. Data include federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for December, 1960. Comparisons relate to November, 1960, and December, 1959. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending January 6, 1961, and January 8, 1960.

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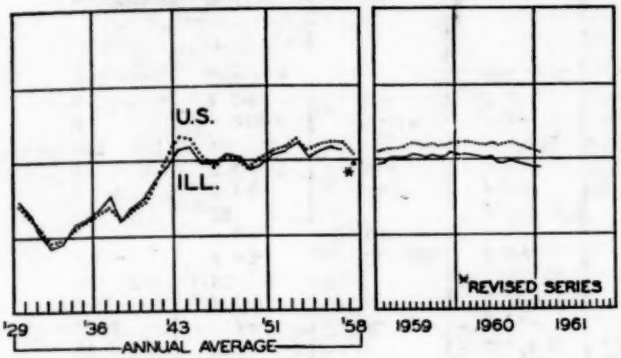
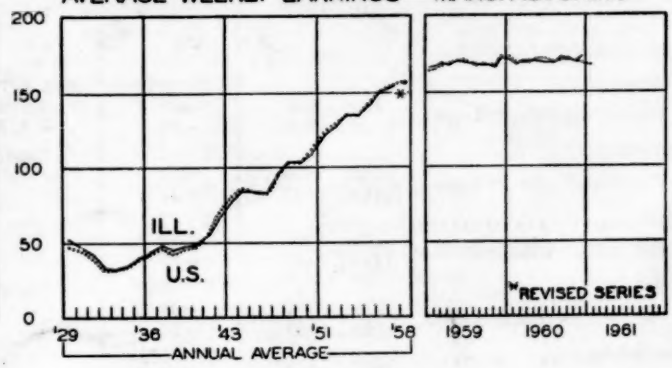
INDEXES OF BUSINESS ACTIVITY

1947-1949 = 100

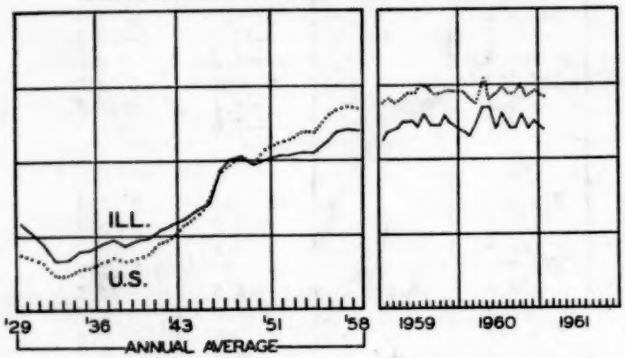
EMPLOYMENT MANUFACTURING



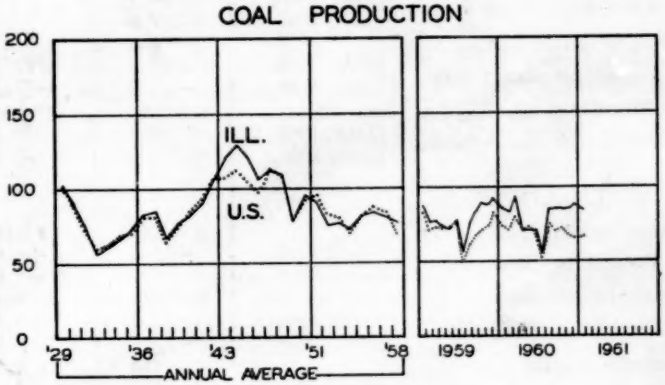
AVERAGE WEEKLY EARNINGS—MANUFACTURING



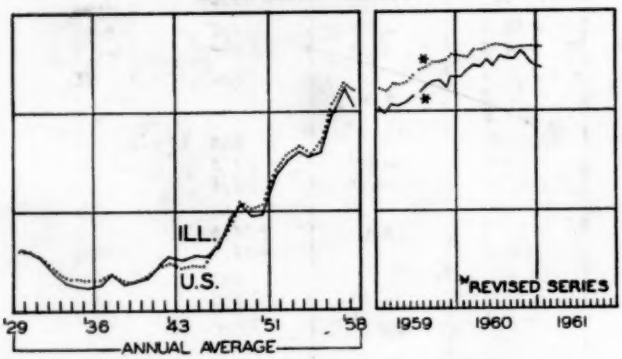
DEPARTMENT STORE SALES (ADJ.)



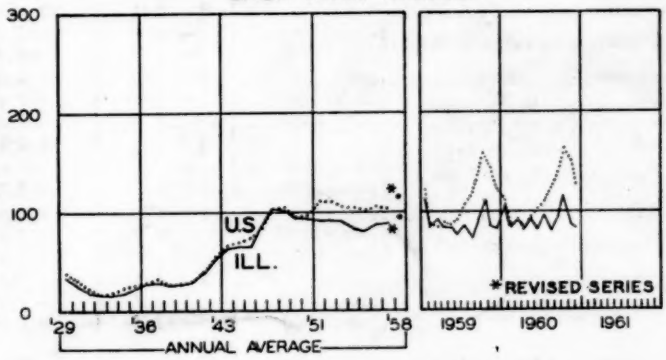
COAL PRODUCTION



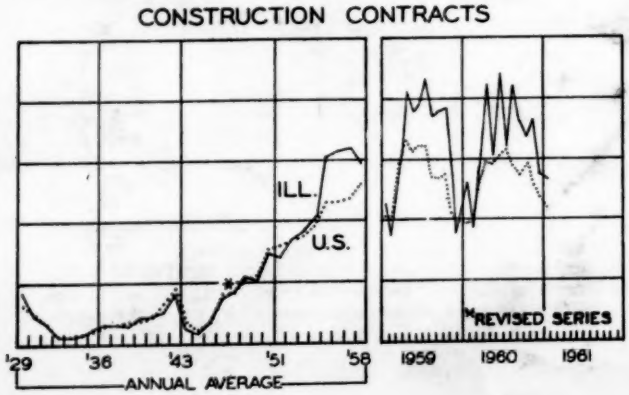
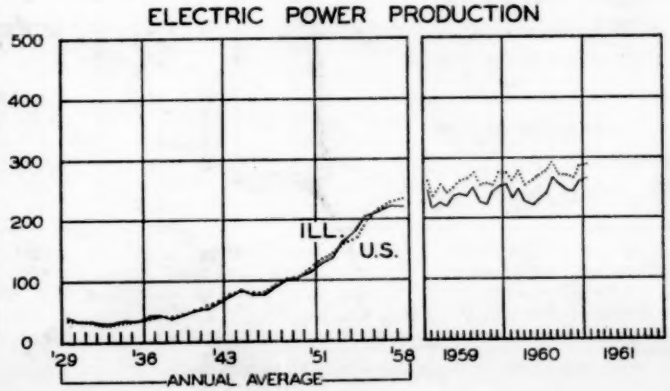
BUSINESS LOANS



CASH FARM INCOME



CONSTRUCTION CONTRACTS



ELECTRIC POWER PRODUCTION